

# ONTARIO ENERGY FACTS

## Oil Supply Disruptions : Protecting Ontario's Interests

Canada has made an important commitment to participate in an international plan for sharing crude oil supplies if a global shortage occurs. The provinces and territories are developing programs to support federal plans for such a contingency and are encouraging municipalities to become involved.

This fact sheet introduces federal, provincial and municipal activities in planning for oil shortages. It provides an overview of Ontario's Contingency Planning Program and of the areas in which cooperative planning with municipalities is being undertaken.

In what follows, the first section examines world factors and the possible effects of an international disruption in oil supplies on Canada. Subsequent sections review the activities of the three levels of government in preparing plans to deal with these effects.

### World Factors and Canada's Oil Supplies

It became apparent during the two oil supply disruptions in the 1970s that the availability of foreign crude oil cannot always be depended upon. Supplies may be adequate now but there are no guarantees for tomorrow.

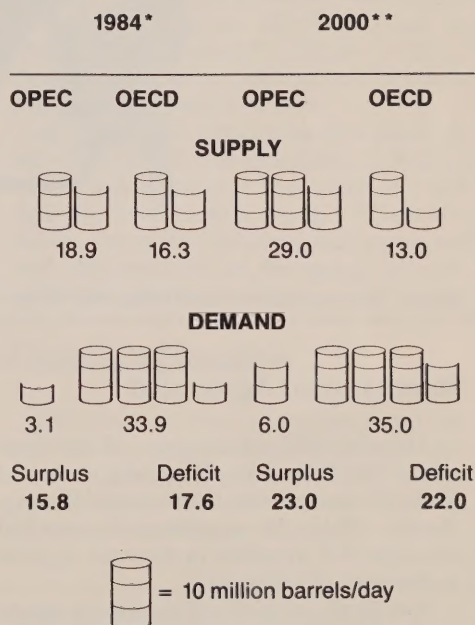
### Vulnerability

Twenty-four industrialized nations, including Canada, comprise the Organization for Economic Cooperation and Development (OECD).

These countries as a group produce less than half the crude oil they require. Supplies from the Organization of Petroleum Export-

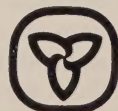
ing Countries (OPEC) make up much of the balance, with the remainder coming from non-OPEC sources such as Mexico and China. As the following table indicates, this situation is expected to continue into the next century.

### OPEC and OECD Supply and Demand



Source: \*OECD Economic Outlook, July 1984

\*\*IEA Secretariat Estimates & Country Submissions



Ontario

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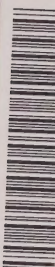
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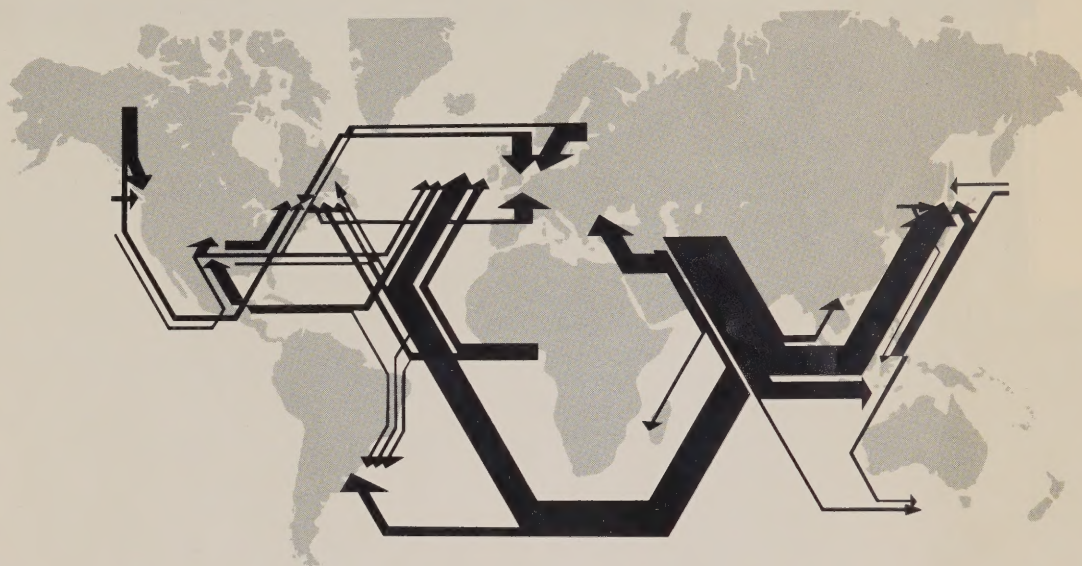
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Nearly 20% of OECD oil supplies comes through the Strait of Hormuz at the mouth of the Persian Gulf. Blockage of this strait, could result in worldwide oil shortages.

In summary, by the 1990s increased de-

mand for crude oil, dwindling supplies, and political instability in the Middle East could make the industrialized world vulnerable to even short-term disruptions of supply.

### Main Oil Movements By Sea



Source: Statistical Review of World Energy 1983 British Petroleum Company PLC.

### International Agreement

After the 1973 oil embargo, all but three of the OECD countries (France, Iceland and Finland) formed the International Energy Agency (IEA). An agreement was reached amongst IEA members to share oil supplies in the event of a shortage.

Specifically, if crude oil supplies to one or more of the IEA countries decreases by 7%, all countries must reduce their demand for oil by 7%. If the shortage exceeds 12%, demand must be reduced by 10%.

### Canada's Situation

In 1984, Canada imported over 200,000 barrels of oil per day, about 17% of the oil consumed in the country. Atlantic Canada

and Quebec rely on imported oil for much of their supplies, while the other provinces and territories use domestic oil from the western provinces.

Canada exports mainly heavy crude oil which is unsuitable for use in Canadian refineries.

Canadian dependence on imported oil will increase even as major new domestic sources of supply become available.

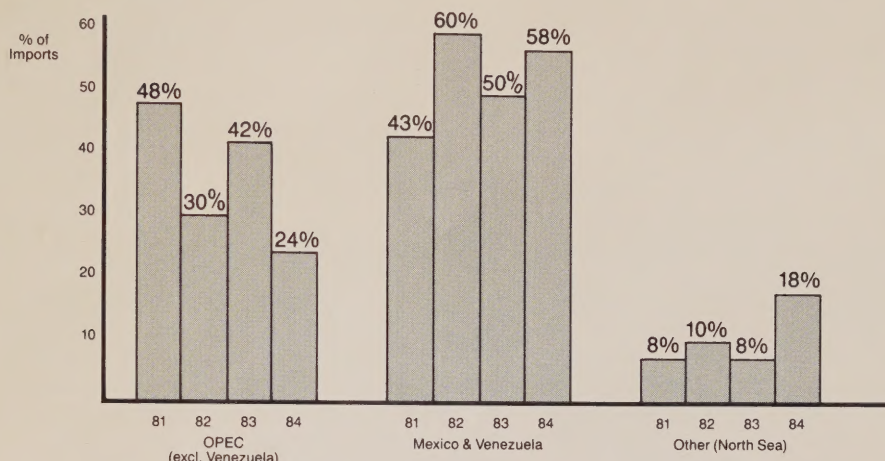
Compared to many of the IEA countries, however, Canada has large domestic oil supplies. In the event of a shortage declared by the IEA, Canadians would be obliged to share their oil with other countries.

As a result of increased imports, or the IEA commitment, Canada must be prepared to manage oil shortages.

The following diagram shows Canadian imports for the last few years.



## Canadian Oil Imports



Source: Supply/Demand Outlook, NEB September, 1984.

## Canada's Emergency Oil Supply Program

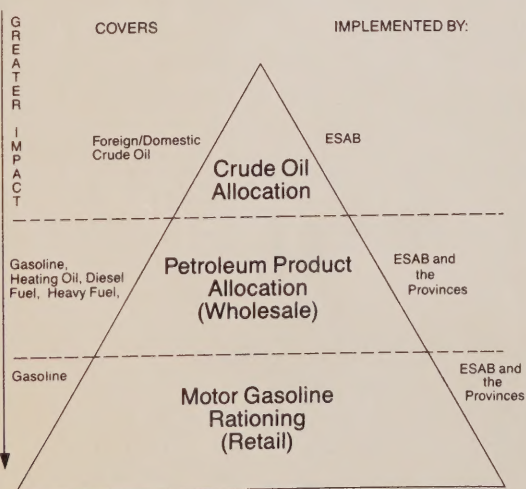
To address Canada's vulnerability to oil supply disruptions as well as her international commitments, the Federal Government passed the *Energy Supplies Emergency Act*. This Act established the Energy Supplies Allocation Board (ESAB).

In a serious shortage, ESAB will move to allocate available supply. It is empowered to

allocate crude oil to refineries, and refined products to wholesale distributors and retailers. If the shortage is severe, ESAB is empowered to ration gasoline and diesel fuel purchased by retail customers.

All wholesale consumers have been assigned to one of three priorities (A, B & C) which will determine how much oil each receives. Governments, being a 'C' classification, are in the lowest priority group and with the exception of emergency services, will receive the least fuel.

## Federal Programs



## Ontario's Situation

Oil is Ontario's single most important energy source, comprising approximately one-third of the province's primary energy consumption. Virtually all Ontario's crude oil comes from Western Canada.

## Ontario's Primary Energy Use

CRUDE OIL

32%

Natural gas, coal, water-power and uranium

Source: Statistics Canada; Ministry of Energy data, 1983

The province is vulnerable to supply disruptions for two reasons. It is dependent on oil from outside the province and it is committed through the Federal Government to the IEA oil-sharing program.

## Ontario's Program

In conjunction with the other provinces and territories, Ontario supports the federal program and is preparing its own plans to deal with shortages.

When a shortfall is predicted and while its effects are minor, the government will reduce its own consumption and encourage the public to conserve. If the shortfall becomes worse, Ontario will implement measures to support the federal government's allocation and rationing programs.

## The Provincial Plan

Ontario's plan is designed to lower the demand for oil in ways that will minimize impact on day-to-day life:

- The provincial government will take the lead by restraining its own demand for oil. All ministries are currently assessing their needs and developing contingency plans.
- Essential government services to the public will be maintained.
- Information on the impact of the shortage and its management will be provided regularly through the media. Preparations are underway for a coordinated approach between governments.
- The general public, industry and commerce will be called upon to reduce oil consumption. Analyses are underway to determine which actions would be most appropriate for different shortage situations.

- Consumers will be informed of quick and inexpensive ways to reduce their gasoline and heating oil use.
- An emergency management centre including a hotline will provide emergency information and assistance to the public.
- The province's contingency plan will be completed by the end of March 1987. In the meantime, an interim plan is in place.

## Municipal Governments

Numerous essential public services such as transit, police work, community services, and garbage collection come under municipal jurisdiction. As a result, municipalities will play an important role in the management of an oil shortage.

During a shortage, provincial and municipal governments will work closely to coordinate efforts and provide leadership. Actions will be jointly agreed upon, as will messages to the general public.

Planning for this coordinated effort has begun on a pilot basis. All municipalities will subsequently be asked to prepare contingency plans as quickly as possible. The provincial government will provide assistance as needed.

## Be Prepared!

Planning for oil shortages is a lengthy and complex task. Early initiatives and coordinated efforts will do much to limit the impact of any supply shortage.

As the IEA's executive director recently stated, there is wisdom in "taking out insurance when you can afford it, and before trouble strikes" by planning when a supply crisis seems remote.

We must move ahead now if we are to manage oil shortages in the future.

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### *For Additional Information*

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